

Subject: Guidance on the Revised ISM Code Clause 1.2.2.2

At MSC 85, IMO adopted a number of amendments to the ISM Code that will enter into force on 1 July 2010. Among these changes was a revision of clause 1.2.2.2 which introduces for the first time a formal requirement for companies to assess the risks to ships, personnel and the environment arising from their shipboard operations.

This revision has prompted the following questions:

1. How should companies respond and what should they do to demonstrate compliance?
2. How should auditors interpret the new requirement and what evidence should they look for to satisfy themselves that companies have addressed it adequately?

General

1. The amendment makes explicit what was already implicit in the Code, since it is not possible to comply with many of the Code's provisions without carrying out some form of risk assessment despite the fact that prior to the introduction of the amendment there was no specific requirement to do so. The documented procedures that underpin a management system are essentially sets of controls to be applied to the risks inherent in the company's operations and activities. The company cannot establish what those controls should be without first identifying the hazards associated with each operation and then evaluating the corresponding risks. To that extent very little has changed.
2. The amendment considerably strengthens the Code by establishing a proper basis for a company's procedures and by providing an opportunity to encourage companies to adopt more informed and more responsible approaches to operational risk assessment.
3. The specific requirement to carry out risk assessments should not be interpreted as meaning that companies must employ a single, formal risk assessment methodology. They may adopt many different approaches ranging from the most detailed quantitative evaluations to much less formal qualitative assessments based on table-top exercises or direct observation of the activities concerned depending on the nature and complexity of their operations. In the case of a simple, straightforward activity an assessment made on site by a supervisor with appropriate levels of authority and experience may be sufficient provided that evidence is available to show how and when it was carried out.
4. The extent to which individuals on board and ashore are involved in and have responsibility for the conduct of risk assessments will depend on the way in which responsibilities, authorities and competences are distributed within their organizations. Even companies that are engaged in similar operations and have similar organizational structures may decide to use different risk assessment methods.
5. Regardless of how they choose to conduct their risk assessments, companies must ensure that they can demonstrate that they have carried out a systematic examination of their operations, that they have identified where things may go wrong and that they have developed and implemented adequate controls. Where appropriate a company may decide to rely on generic industry guidance.
6. Companies should ensure that their policies concerning risk assessment are documented; that the associated responsibilities and authorities are clearly defined; that adequate training and guidance have been provided to individual members of staff according to the extent and level of their involvement in the risk assessment process; that procedures and instructions are in place for the assessment methods chosen; and that records of the risk assessments carried out are maintained.

7. Records may take many forms including minutes of meetings, observation notes, hazard registers, risk matrices and so on.

Guidance for auditors

8. Auditors should not insist that companies have detailed procedures for the application of specific formal risk assessment methodologies in all circumstances and on all occasions. To force them into adopting particular approaches that they feel are inappropriate or for which they believe there are better alternatives will almost certainly create a resentful compliance mentality and reduce risk assessment to a mechanical, bureaucratic, box-ticking exercise that will do nothing to improve safety and pollution prevention.
9. Auditors should consider the revised clause 1.2.2.2 as a general background requirement similar to those in the remainder of clause 1.2.2 and in clause 1.2.3. In other words, it should be treated not as a discrete activity to be audited in isolation but as a provision that underlies and supports the entire Code.
10. As when auditing other operational requirements, auditors should not set out with pre-conceived ideas about how companies should comply with this provision. They should adopt a reasonable and practical approach to determining whether the company has addressed the management of risk in a professional and conscientious manner.

Specific guidance relating to the period immediately following 1 July 2010

In many cases auditors visiting ships and offices immediately after 1 July 2010 are unlikely to find evidence of detailed and comprehensive risk assessments carried out in support of long-standing operational procedures. It is recommended that auditors respond in accordance with the following general guidelines.

- It is not necessary to examine in great detail all assessments relating to existing procedures and instructions that are evidently comprehensive, thorough and effectively implemented. Lack of documentary evidence for such assessments should not cause undue concern during audits conducted in the first six months after 1 July.
- Where an operational procedure is identified as being inadequate and there is insufficient evidence of risk assessment to support it but the problem is not serious or extensive enough to warrant a major non-conformity, an ordinary non-conformity should be raised in the usual way quoting the new requirement.
- Companies must have established documented policies and procedures for operational risk assessment by 1 July 2010. However it may not be possible for them to undertake retrospective risk assessments for all of their existing operations and activities by that date. In such cases, where the number of missing or incomplete assessments is significant, a non-conformity should be raised and a note included in the report to the effect that if a similar situation is encountered during subsequent audits it will result in a major non-conformity. The note should also state that, if the company fails to address the present non-conformity, it may be upgraded to a major non-conformity.
- Where, after 1 July 2010, a company cannot provide any evidence that it has even begun to address the requirement (no policy, no defined responsibilities and authorities, no procedures or guidance, no training, no evidence of any risk assessments, no plan for implementation) then a major non-conformity should be raised. The major non-conformity may be downgraded on receipt of a plan of action to address the deficiency and should be followed up in the usual way in accordance with the provisions of IACS PR9.